

A close-up photograph of several bunches of ripe yellow bananas. Each bunch has a purple circular sticker with white text that reads "PEQUEÑO PRODUCTOR" and "Cuentas con nosotros". The background is dark, making the yellow bananas stand out.

6

Supplier development



Our 26,653 suppliers, including those of internal supplies and of merchandise for sale in stores, are our business partners, hence their development, customer knowledge and sustainability practices are foundational pillars to provide the best product assortment at the best market prices.



Supplier management

The Senior Vice President for Self-service Merchandising, made up by the Perishable, Apparel, Groceries, General Merchandise, Consumables and Pharmacy Vice Presidents, and Supplier Development Direction, supports relationship with our suppliers. In addition, our Compliance area monitors the quality of products and compliance with regulations in force, as described in *The customer/member is first chapter*.

26,653
suppliers in
the region

Strengthening our merchants' capabilities is critical for the development of a sound relationship with suppliers to have the best products in our stores. In 2014, the Merchants' Academy prepared 1,670 merchants. In addition, *Retail Link* is a platform that allows suppliers analyze their performance on product sell-thru at a national and local level, thus providing information for better planning their business.

The work performed with suppliers on programs for better modulars, packaging efficiencies to increase space productivity and product development of private label leads to a long-term business vision. Consequently, this relationship provides a good pathway to cooperate on other activities such as environmental initiatives to contribute reducing production, packaging, and distribution impacts on environment, as described on the *Environmental care chapter*.

Logistics capacities developed and enhanced by the Company allows suppliers to take their products more efficiently to points of sale in the 6 countries where we operate throughout the our 24 distribution centers.

74%
of our suppliers are
SMEs in Mexico and
64%
in Central America





25%
increase in sales as
part of the *Adopt a
SME program*

Supplier standards

The relationship with suppliers of services and of merchandise for sale in stores is covered under the agreement governing the commercial relationship, including clauses related to ethical behavior, anticorruption and labor and environmental liabilities as well as the law in force, according to lay the suppliers agree:

- Full compliance with the law and regulations in force, including those governing labor-related issues, immigration, health and safety, and the environmental, among others.
- Ensure voluntary hiring.
- Prohibit child and forced labor.
- Legal compliance regarding the number of hours per shift and days off for workers.
- Implementation of hiring and employment practices that provide information on employees and maintain policies and practices on salaries, terminations, training and work condition.
- Respecting the right of workers to peacefully and legally join the labor unions of their choice, and to collective bargaining.
- Ensure that all that all their practices comply with environmental legislation regarding water, air, and waste, as well as all raw materials come from legal sources.
- Accurate record keeping on all financial information related to commercial ties with the Company.
- Providing all workers a safe and clean working environment and taking the preventive measures needed to mitigate accidents.
- Compliance with the Company right to audit/ or verify at any moment and without prior notice.

Small, middle-sized and low-income local suppliers' development

Due to the fact that one of our main strengths lies on our close relationship with customers and the location of our stores, we have become a development channel for most of the suppliers in the countries where we operate, as a consequence, we are a trigger of sales, income and employment throughout the region.

Derived from our purpose to include more and more small, middle-sized and low-income suppliers, including handmade, industrialized and agricultural products, we have designed in all the countries we are present a training, financing and market access program that allows them to sell their products and have a better understanding of customers, thus strengthening their capability to trade their products in the self-service business and be aware of their competitors. In addition, we foster companies to adopt practices on efficiency and planning, developing their business skills.



Over 7 billion
pesos in sales in the
One Hand to Grow
program





Over **5.5 million** pesos in sales as part of the *Small Producer, You Can Count on Us* program

As a consequence, we have developed operative platforms to make the sustainable supplier access to make it last long and grow in the Company, as well as increasing their capability to grow in other markets. Based on the supplier nature, such platforms include purchases administration, logistic costs, payment terms and supplier growth, through programs known as *A Hand to Grow*, in Central America, and *Small Producer, You Can Count on Us* in Mexico.

In Mexico *Adopt a SME* is a program that aims at supporting SMEs so they are able to increase their sales and develop their operative, financial and logistics capacities through the Merchandising and Supplier Development areas. The program considers a set of benefits and liabilities for participant suppliers as well as commitments on the side of the areas involved. The goal is to achieve at least a 50% sales growth in 18 months for SMEs at a Company level.

The program *Women Owned Business* is a global initiative that aims at empowering business women, by providing them more access to markets and tools to make their business grow. The goal in Mexico for 2016 is to double the purchase volume made to business women vs. those recorded in 2011.

Business women included:

2011	2012	2013	2014
80	87	99	100

On the other hand, development programs for agricultural suppliers, *Direct Purchase from the Field*, allows small, middle-sized and social suppliers improve their agricultural practices and business, increase their productivity, boost their quality, favor planning, broaden markups and, as a consequence, grow their business. The additional impact of this project on environmental protection and better work conditions in the field is certainly exponential for producers and their regions.



84% increase in sales in the *Women Owned Business* program



Producer development platform

	SMEs		Social organizations of low-income producers	
	Manufactured products	Farm producers		Handcraft producers
Producers selling in stores	409	1,419	2,525	8,081
Producers under development	10,193			
Development platform	Corporate training			
	Consultancy on requirements to become a potential supplier			
	Access to funding programs	Training on agriculture and productivity practices	Social base line assessment, <i>Social Case</i>	
	Sales consultancy	Quality standards	Business potential evaluation for the producer, <i>Business Case</i>	
	<i>Retail Link</i> consultancy		Field assessment of the product potential	Product advice
	Synergies with third-parties to decrease costs on software installation		Training on product quality, agricultural best practices, after-harvest administration, logistics and delivery	Packaging, logistics and delivery training
			Sowing plan with the Merchandising area	Product and training funding
Commercial and operative platform	Program communication and signing on the sales floor			
	Dedicated structure		Merchandising, Perishable and Walmart Mexico Foundation dedicated structure	Walmart Mexico Foundation dedicated structure
	Buyers with goals per category			Sales objectives shared with operations areas
	Shared product promotion program	Open-book purchase		Profit 100% refund through donations
	Distribution costs with discount	Plus cost	Purchase preferential cost	"Zero" distribution costs
	Performance follow-up	Intention to buy letter		No returns
	Preferential payment conditions		Discounts on distribution cost	Facilities to change market/ business format to better fit the product
			Producer total access to product data sheet	Preferential payment conditions
	Follow-up on rejection rate			
	Payment in less than 7 days			
	Social producer development platform with multiplier and inclusive corporations			



Amaranto de Mesoamérica para el mundo was the best social supplier of the year in Mexico

During SMEs presentations included in *Expo Walmart* in Guatemala and Mexico, associates in the Merchandising areas have the opportunity to know and drive the products of such suppliers.

In addition, the supplier development programs have structures exclusively devoted to work with the Merchandising, Perishable Merchandising, Logistics, Operations and Corporate Affairs areas to accelerate their processes and increase their potential.

Every year suppliers in the region are awarded on account of their outstanding performance under several categories, including SMEs, social corporations and suppliers with exceptional environmental initiatives.

The products that participate in the *Small Producer, You Can Count on Us* program are marked with a seal and receive communication support on the point of sale. In addition we use the social media to communicate the producer's stories. Besides, including these products in our home deliver services has allowed our customers to know the product, hence increasing their sales.

Dialogue

Supplier communication improves our relationships in the benefit of our customers and is an opportunity to know their concerns and ideas. This is the reason why we have developed several permanent communication channels:

The Supplier Advisory Board: made up of 14 companies in Mexico and 64 in Central America, is a space created to exchange ideas and encourage best practices that increase competitiveness.

Supplier and Ethical Hotlines: run by areas not related to merchandising, suppliers can make specific suggestions and file complaints regarding non-compliance ethical standards.

The supplier survey: this is an annual evaluation mechanism with representation from large, small and middle-sized companies. It evaluates and identifies key aspects to improve commercial relationships, increase efficiency and improve in-store execution.

Dialogue sessions: these *Top to Top* meetings are an open dialogue space with suppliers. In Central America there were 34 additional meetings with executives and 18 global and regional suppliers for the Consumption and Groceries divisions. In Mexico, we coordinate the *Win* institutional program, striving to increase collaboration with our most important suppliers to leverage accelerated commercial growth.

83%
increase in sales in the Small Producer, You Can Count on Us program on our online sales websites

